CORDA

TOGETHER WE'RE INVESTED

Lessons from Kraft Foods

One of the most common questions we have received here at CORDA over the past six months has revolved around the current price of oil and what its impact will be to the energy related businesses that we presently own, or those that we may consider for purchase one day in the future. We have a unique viewpoint on these matters because of our proximity to the many businesses in the oil and gas space right here in Texas.

We can assure you that we are closely watching developments in the energy space and long ago decided to own what we believed to be the most stable and fundamentally sound businesses in the oil and gas sector. We understand the cyclical nature of this business and have reviewed our holdings thoroughly to the extent that we believe we own the highest quality businesses with strong balance sheets and plenty of staying power to weather a prolonged period of low energy prices. We believe the larger more fully integrated businesses will thrive once the period of low prices ends. While Saudi Arabia continues to keep prices suppressed and the supply overhang works itself out later this year and into next, we will find the well capitalized firms survive and the undercapitalized expire. Through this period, you want to be a buyer, not a seller.

We are cognizant that trying to time or tiptoe in the oil patch is a fool's game. If and when the valuations are low, you should be a buyer - because by the time the price of oil recovers, the share prices of the oil and gas businesses will have already moved up.

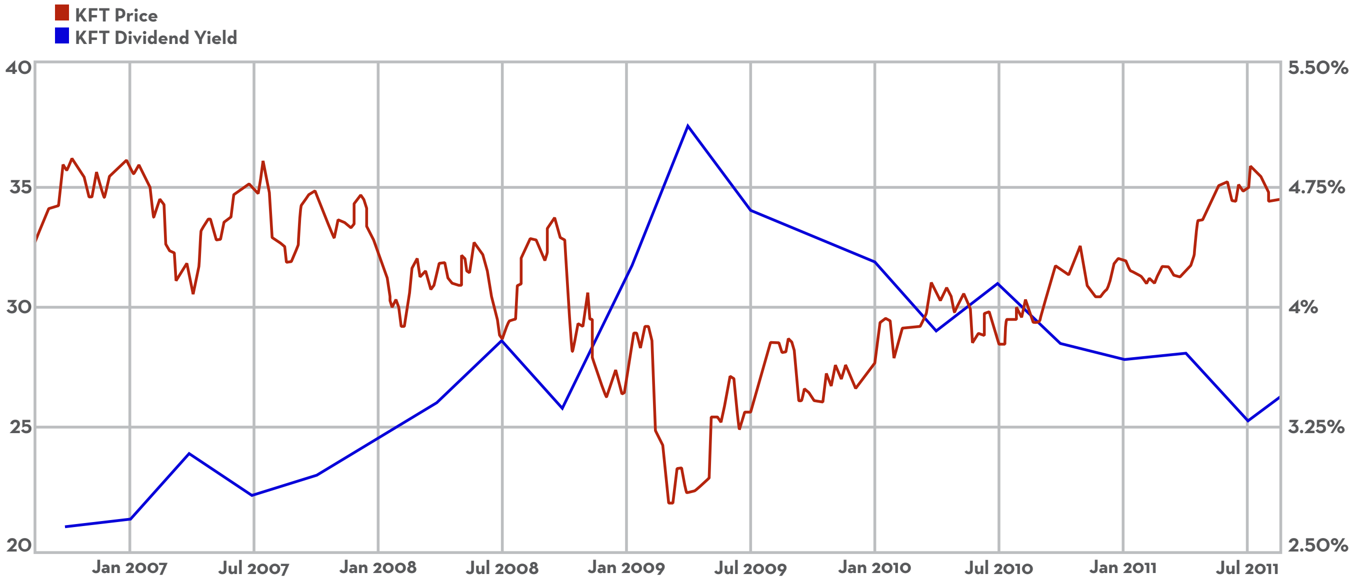
A terrific example of the patience required when owning securities that have declined in price is Kraft Food Group (KRFT). Kraft made the news two weeks ago when it was announced that Warren Buffett's Berkshire Hathaway teamed up with 3G Capital to acquire the company and merge it with H.J. Heinz. As a firm, we were buyers of Kraft in April of 2009... the shares were quoted ~$25 then, down from $35 just a year and a half earlier. Our crystal ball had no idea where the bottom was - we just felt the valuation was low and with the company paying a good dividend, we were buying an iconic business at a low price. Sure enough, within a few weeks of our entry, the shares were down an additional 10%.

Did we sell? Did we panic? Of course not. The fundamentals of the business were intact, and if anything, the dividend yield kept climbing for every dollar decline in the share price (see chart below). It was clear to us, an even better deal was available for anyone wanting to purchase the shares in the low $20 range. Here are the details as they unfolded off the lows set that spring in 2009.

Real time example:

- In April 2009, 1,200 shares of Kraft were purchased for $27,000.
- In 2012, Kraft spun off the international division into what is now called Mondelez. Shares of Mondelez were received at that time.
- Today, the combined value of both are $80,000.
- In the ensuing years, approximately $7,500 in combined dividends have been received. The dividends alone represent 27% of the investors cost.

Kraft Share price and Dividend Yield, 2007 - 2011



The takeaway is that there are many reasons to hold businesses that temporarily decline in price. The dividend allows one to be patient and to allow the share price to recover. Selling out of Kraft due to a price decline would have been a costly mistake in the above example.

It's important to keep your emotions in check and to view the market through a lens of owning profitable businesses that reward shareholders via dividends and share buybacks. It keeps the focus on how the firm is managing its growth of revenues, earnings, and dividends. If the business is growing, the share price usually takes care of itself in the long run.

Thank you again for letting us help you navigate the financial marketplace and to keep you on the right track with your investments.

Sincerely,

Bonner Barnes

Bonner C. Barnes